

INDUSTRY UPDATE

Biweekly Period Ending August 11, 2001

Phoenix Metro Area

Manufacturing

Although the players have changed, as expected, **Motorola sold its Integrated Information Systems Group** in early August. **General Dynamics Corp. purchased the 2,700-employee** division — which makes space and communications equipment for the U.S. Defense Department — for \$825 million in cash and liabilities. As reported in the July 28th *Industry Update*, Motorola was expected to sell the unit, but to a different suitor, L3 Communications of New York. Virginia-based General Dynamics, which employs 49,000 and expects to have sales of more than \$12 billion this year, makes a variety of defense products — from nuclear submarines to armored vehicles. The company said it **didn't expect to lay off any Motorola employees.**

Valley fixture **Dial Corp.**, which makes soaps, laundry detergents, and Armour canned meats, is **up for sale.** The Scottsdale-based company recently reported better-than-expected earnings — after coming close to bankruptcy — and is expected to fetch about \$2 billion. Most likely suitors are foreign companies looking for manufacturing operations in North America. Dial employs 1,300 worldwide, including about 600 at its Scottsdale corporate and research operations.

Groen Brother Aviation Inc. made it official in early August. The Salt Lake City-based **manufacturer of gyroplanes** — a cross between a helicopter and airplane — agreed to **relocate its corporate headquarters and manufacturing operation to Glendale.** The **plant, which will open in spring 2002,** is expected to **employ up to 400 people** at an average hourly rate of \$27. Ryan Cos. will

build the aerospace facility. (For more information, read the June 2nd *Industry Update*.)

Declining ad revenue and increasing printing costs forced a 30-year-old weekly **Valley "shopper" to fold operations and lay off about 40 people.** The **Arizona Pennysaver**, which had a circulation of 500,000, lost its primary investors and printed its last edition in late July. The free publication, which featured classified ads on almost any type of item, will attempt to find new investors and eventually start up operations again, the paper's publisher said.

Trade

Only **two years ago**, Tempe-based **MicroAge Inc. employed 4,600** and had \$6 billion in annual revenue. **Today**, after filing for and emerging from Chapter 11 bankruptcy protection, the company has **30 workers** whose primary function is **managing its assets** and paying off about one-fifth of the \$400 million owed to its creditors. MicroAge, which sold off three of its former subsidiaries — Pinacor Inc., MicroAge Technology Services, and MicroAge Teleservices — has an estimated \$80 million in cash and assets.

Finance, Insurance & Real Estate

About **200 call center workers** were **terminated** by **Prudential Financial Services** in early August at its northeast Phoenix offices (see related story in "Services," below). Prudential, which is evaluating its customer-service procedures for its property and casualty operations, also has centers in New Jersey and Tennessee. At one time the company employed more than 700 at its Phoenix operations, which opened in 2000.

The former high-end retail complex known as

the **Scottsdale Galleria** has **landed its first two tenants** — **New York Life Insurance's regional office**, with 150 employees, and the **Scottsdale Culinary Institute**. Owned by New York-based JEMB Realty Group, the newly named **Galleria Corporate Centre** (4343 N. Scottsdale Road) has undergone a couple of transformations the past year after languishing as an expensive "white elephant" for several years prior to that. When the broadband boom was at its height, the 690,000-square-foot Galleria was expected to become a "telecom hotel," offering space for Internet infrastructure. Since the softening of the communications field, JEMB shifted directions to office space.

Despite a slumping economy and the usual summer slowdown, the **Valley housing industry continues to sizzle**. The metro area set a monthly record for home resales in July (6,450). Through the first seven months of 2001, **home resales** (37,275) are **up 10 percent** from a year earlier. Lower mortgage rates and a move away from higher-priced new homes have contributed to the strong growth.

Services

A national consultant released a report showing the **Valley** as the **eighth most expensive metro area** for **call center operations**. The Phoenix metro area had higher average weekly wages (\$524) for call center employees than operations in San Diego and Dallas. With more than 100 call centers, the Valley became attractive for such operations after the state passed favorable legislation for the financial services industry in the late 1980s. Because of the higher costs, in the past few years, companies have started locating their call center facilities in rural areas of the state.

Tucson Metro Area

Construction

Marana Golf Inc., which recently purchased The Links at Continental Ranch, plans to **build 12 additional golf holes, a restau-**

rant, 400 apartments, and 300 homes on 90 acres of land east of the golf course near **Interstate 10 and Cortaro Road**. Marana Golf is owned by San Xavier Rock and Materials, which plans to relocate its sand and gravel quarry (which sits next to the golf course) in order to accommodate the new development.

Government

Approval of a **proposition** in November that **bans bilingual education** has forced the **Tucson Unified School District** to **lay off 122 teacher assistants** and an unspecified number of temporary employees. Most of those losing their jobs are not directly involved with bilingual education, but are affected because they have less seniority than bilingual staff, who are being offered transfers to other jobs. A more limited bilingual program is still being offered to students who are granted waivers.

Miscellaneous

While the **Tucson metro area added 18,000 jobs in 2000** and led the nation in over-the-year percentage growth (4 percent), Pima County added only 1,000 jobs through the first six months of 2001. Still, compared to other metro areas, the Tucson area is doing quite well. Only a handful of major firms have laid off employees, among them three optics companies. As mentioned in the July 28th *Industry Update*, the Pima County Workforce Investment Board recently debuted a web site (pimaworks.com) for job seekers and employers. The site provides job information, skills assessment, and training information for laid-off workers and other interested parties, as well as a place for companies to promote job openings.

Statewide

Mining

Higher electricity costs, lower copper prices, and consolidation contributed to an **18 percent drop** in the **mining industry's direct**

economic impact to the state in 2000, according to a study released in late July. Mining employment fell by 2,000 last year to a level of 7,500, about a 40 percent drop from 1996 levels, according to the Arizona Mining Industry. Shutdown of BHP's mining operations near Oracle, and layoffs at Phelps Dodge and Asarco accounted for the drop in employment. If the price of copper (70 cents a pound in late July vs. 82 cents a year earlier) does not rebound, industry analysts believe there could be further deterioration in the industry. And that has already started to happen. About the time the mining report was released, **Phelps Dodge** reported that it **expected to lose money in the 3rd quarter** of 2001 and was considering layoffs. And **Asarco** announced in mid-August it is **laying off 110 workers** at its **Mission mine** in Green Valley (see upcoming *Industry Update* for more details).

Finance, Insurance, and Real Estate

Wisconsin-based **M&I Marshall & Ilsley Bank** has agreed to **purchase Fifth Third Bank's operations in Arizona**. After M&I completes the merger, it will have 25 locations throughout the state, including new branches in Sedona and Prescott. Some of Fifth Third's branches will be closed, but **all but 5 percent of its workforce will be retained**, M&I said. Cincinnati-based Fifth Third sold its Arizona interests in order to concentrate on its Midwest operations.

Trade

Over the next year, the **Albertson's supermarket chain** said it will **close 165 stores in 25 states** and **eliminate 20 percent** of its **administrative and managerial jobs**. The closures, which will cause the **loss of about 1,600 jobs**, will affect not only its Albertson's supermarkets, but Osco drug stores, Jewel Food Stores, and several other smaller operations. Albertson's, which has about 50 grocery stores and 80 drug stores in Arizona, **has not said which stores or how many jobs**

will be affected in Arizona.

Services

Chandler-based **Nationwide Vision**, which **employs 400 people** at 40 locations (primarily in the Phoenix and Tucson metro areas), is **expanding its operations throughout the state**. The company is investing \$2 million to **open new stores in 2002 in Flagstaff, Yuma, Lake Havasu City, Bullhead City, and Kingman**. Started in 1985, Nationwide had \$31 million in revenue in 2000. Among the company's largest occupations are optometrists, ophthalmologists, and opticians.

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